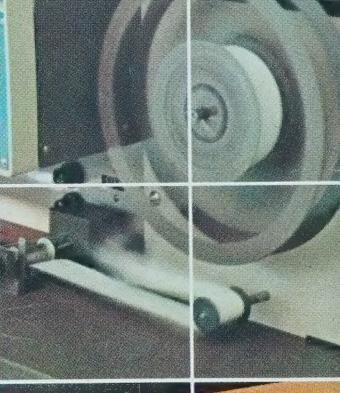
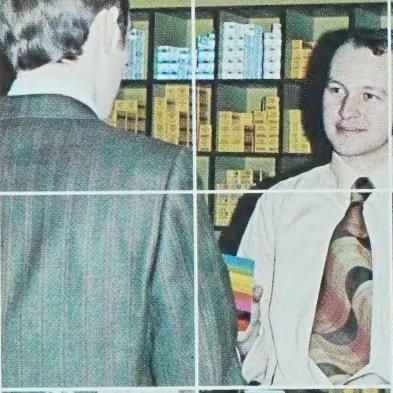
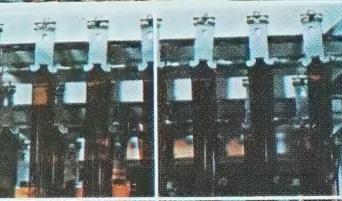
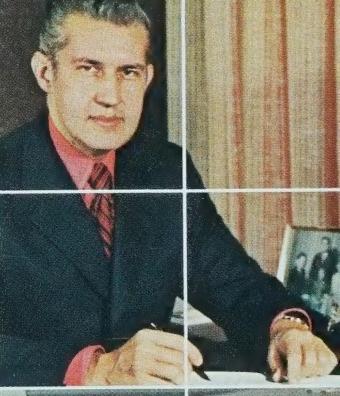
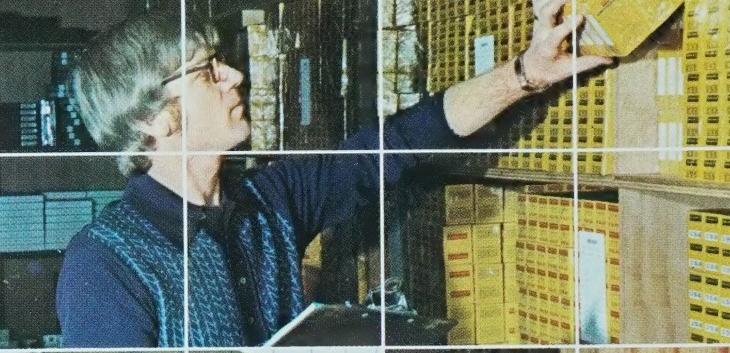


BLACK PHOTO CORPORATION LIMITED

ANNUAL REPORT 1972

AR31





BLACK PHOTO CORPORATION LIMITED

Annual Report 1972

Financial Highlights

	1972	1971
Sales	✓ \$9,462,124	\$8,060,843
Net Earnings	✓ 618,888	366,030
Working Capital	2,463,573	1,833,132
Total Assets	4,566,242	3,740,211
Shareholders' Equity	3,421,097	2,777,279
Earnings per Share	✓ 58¢	35¢
Shares Outstanding	1,064,800	1,059,000



Directors and Officers	William E. Black <i>Chairman and President</i>	William J. Huntley <i>Director and Secretary-Treasurer</i>	George W. Copeland, Q.C., <i>Director</i>	Barry J. Black <i>Director</i>
	Robert F. Black <i>Director and Vice-President</i>	Donald E. Boxer <i>Director</i>	Robert J. McMullen <i>Director</i>	

Head Office	10 Dyas Road, Don Mills, Ontario.
Auditors	Messrs. McDonald, Currie & Co., 120 Adelaide Street West, Toronto, Ontario.
Solicitors	Messrs. Miller, Thomson, Hicks, Sedgewick, Lewis & Healy, Toronto, Ontario. Messrs. Bjarnason & Copeland, Toronto, Ontario.
Bankers	Canadian Imperial Bank of Commerce, Parkwoods Village Branch, Don Mills, Ontario.
Transfer Agent	Canada Permanent Trust Co., 1901 Yonge Street, Toronto, Ontario.
Stock Listing	B P K – The Toronto Stock Exchange.
Underwriter	Burns Bros. & Denton Limited, Toronto-Dominion Centre, Toronto, Ontario.



To Our Shareholders

It is a pleasure to report that our fiscal year ended March 31, 1972 was the most successful in our history. Sales volume was up by 17% for a total of \$9,462,124 and net earnings increased by 69% to \$618,888. The factors most responsible for this improvement were: advances in retail sales coupled with higher gross margins; a substantial rise in photo-finishing volume with resultant plant efficiencies; a concerted effort by Management to control operating expenses; and the effect of the first full year of profit contribution from the acquisition of Educational Film Distributors Limited. The buoyant economy in the consumer sector, particularly in connection with leisure-time spending, was naturally of benefit to our Company.

An historical financial review is on Page 9.

Although no additions were made to our chain of twenty-four retail outlets, several of our older stores were updated with new fixturing. Plans were formulated for expansion of retail operations and as a result there will be twenty-seven outlets within the first half of our current year. One is at Yonge and Eglinton, Toronto, another is on Clarence, near Dundas, London and the third will be in Commerce Court Shopping Concourse, Toronto. Suitable locations are constantly being sought and there will definitely be further expansion in the near future.

Photofinishing volume was higher last year due, in part, to our introduction of one-day colour service last summer. Production capacity has kept pace with sales increases and our present plant facilities are adequate for projected growth in the next few years.

Our Audio-Visual Division did not maintain the same sales volume with educational users as in the preceding year. However, gross margins were improved by the reduction of low-profit items. Our entry into the video tape recorder and closed circuit television field is beginning to generate sales in accordance with our expectations. Initial response has been from industrial applications for security and surveillance purposes. Educational use of these products is expected to develop significantly within the next year.

Sales of Educational Film Distributors Limited showed a slight increase in spite of restraint in school spending. Increasing use by industry, trade associations, professional groups, etc., is anticipated and plans are well underway to ensure that appropriate material will be available to meet these needs.

Management is ever conscious of our responsibility to our shareholders, and our endeavours to stimulate growth and future prosperity will be made in the most prudent possible manner. Our working capital position of almost two and one-half million dollars is exceptionally strong and it is obvious that our acquisition capability is very real.

Sincere appreciation is extended to our shareholders for their support, suppliers for their co-operation, and particularly our employees for their efforts and loyalty—all of which combined to bring about the success of this year.

William E. Black
President

OPERATIONS



Retail Camera Stores

The Company has a total of twenty-four "Black's Camera Stores" in operation throughout Southern Ontario. No new locations were added during this past year, but several of our older stores were refixedure and modernized. Three additional locations have been contracted for and will be opened within the first half of this year. Two of our older locations—one in downtown Toronto and the other in downtown Hamilton are being replaced by larger stores in the same areas. Further expansion through additional outlets will be made as opportunities become available.

Our policy of providing our customers with quality photo products at competitive prices through volume merchandising coupled with well-informed sales personnel is responsible for our maintaining the leading position we have established in photographic retailing.

The introduction of electronic products such as tape recorders, stereo hi-fi sets and radios in some of our locations has been a contributing factor in our sales increase and it is expected that further increases will be made through greater emphasis on these products.

Photofinishing in our retail stores enjoyed a favourable increase in volume last year and it is felt that our efforts to provide highest quality service in the fastest possible time help to bring additional consumer traffic to our stores. A one-day colour film service for Kodacolor users was commenced last summer and was well received. This summer we will be providing a new larger sized picture from films used in Instamatic cameras. This new format is a four-inch square print which results in over 30% greater area than the standard print.

Our buyers have been able to obtain more goods on a direct import basis as our volume has grown. This type of buying results in better values being offered to our customer as well as better margins for the Company.

The recently announced Pocket Instamatic Cameras by Kodak should provide a sales stimulus throughout the balance of this fiscal year. It is expected that market penetration of this type of camera will eventually lead to an increase in the number of films consumed per unit due to the convenience in use and availability for picture-taking opportunities.

Photofinishing

Our photo plant, which is located in the Toronto suburb of Don Mills, is one of the most modern in Canada. Service is provided only to our own retail camera stores and through mail order services.

Plant equipment is modern and well maintained. During this past year the first fully automated Pako electronic printer installation in Canada was made in our plant. The resulting efficiencies and speed of production warranted another being installed early this year.

By constantly updating our methods and adding new equipment as technological changes are made we maintain our ability to provide our customers with highest quality products in the shortest possible time.



Black's AUDIO VISUAL

A DIVISION OF EDDIE BLACK'S LIMITED





Audio-Visual Division

Sales volume showed a decline in this division due to the cutback in educational spending last year. However, margins were improved through our computer analysis of product lines, customers, sales territories and in some cases individual transactions. Emphasis was placed on improving the proportion of better margin products and elimination of low margin items. Considerable start-up costs were incurred in connection with our entry into the video tape recording and closed circuit television field. We were successful in obtaining Panasonic products on an exclusive basis for our trading area. While there were some sales of these products in the last half of our year, the revenue derived was not sufficient to meet our costs. It is anticipated that a contribution to profits will be made from this source during this fiscal year.

Greater emphasis was placed on industrial and commercial applications of audio-visual methods and results were satisfactory. Further growth is foreseen in this market segment for employee training, sales aids and security purposes.

Educational Film Distributors Limited

This wholly owned subsidiary operates under the direction of Miss Margery Weiss, President—who founded the company in 1958. Films and other audio-visual software are sold on a national basis through sales representatives and by mail order. The principal customers are schools, but there has recently been increased activity by industrial concerns particularly in the use of movie films for training purposes. Efforts to expand sales penetration in outlying areas from coast to coast have proven worthwhile and will be continued.

The need for trained personnel is continually increasing and the film media is especially effective because the student or new employee is taught by example and instruction.

At any time when cultural and economic identity is of concern to thinking Canadians, the availability of educational films to meet the special needs of Canadian audiences is most essential.

Future Outlook

Long-range growth in the amateur market depends on the growing number of families and rising disposable income levels. The sale of photographic products and services will advance with the increase in leisure time, travel and education. This market will continue to expand as photographic manufacturing companies continue to find new ways to make picture taking simpler and better. Recent examples are the Kodak Pocket Instamatic cameras which are easy to carry and use, and a new line of cameras and film that make indoor movies practical without the use of special lighting. The use of audio-visual products for business purposes is becoming more widespread and we expect further sales increases in this area. Electronic applications of audio-visual methods are on the threshold of dynamic growth both for educational purposes and for industrial training, communications, and security. The replacement market for conventional audio-visual equipment and supplies should contribute to overall volume.

The industrial and commercial use of photography is becoming more prevalent and, while we have not participated in this market to any great extent in the past, we intend to become much more active in developing this market in the future.

In summation, it is felt that our excellent reputation and leadership in the trading areas we serve, combined with our strong financial position, should enable the capture of a larger share of growing markets through expansion and merchandising expertise.

Historical Financial Review

	1972	1971	1970	1969	1968
Net Sales	\$9,462,124	\$8,060,843	\$7,022,204	\$6,047,578	\$4,574,922
Operating Costs and Other Expenses	8,079,701	7,120,634	6,206,348	5,449,674	4,156,175
Depreciation and Amortization	151,748	149,919	120,659	89,308	93,566
Interest on Long-Term Debt	6,987	8,960	11,078	12,393	12,470
Earnings Before Income Taxes	1,223,688	781,330	684,119	496,203	312,711
Income Taxes	604,800	415,300	355,100	246,423	148,600
Preferred Dividends	—	—	—	54	210
Net Earnings	618,888	366,030	329,019	249,780	164,111

BLACK PHOTO CORPORATION LIMITED

and subsidiary companies

Consolidated Balance Sheet

as at March 31, 1972

	1972	1971 (note 2)
ASSETS	\$	\$
CURRENT ASSETS		
Cash and deposit receipts	1,276,745	896,815
Marketable securities—at cost (market value—\$41,725)	—	36,562
Accounts receivable—		
Trade	468,406	360,354
Other	12,149	25,428
Inventories—at the lower of cost or net realizable value	1,553,221	1,109,471
Prepaid expenses	13,727	7,765
	<hr/> 3,324,248	<hr/> 2,436,395
FIXED ASSETS (note 3)	902,248	964,070
EXCESS OF COST OF SHARES OF SUBSIDIARY OVER NET BOOK VALUE AT DATE OF ACQUISITION		
	339,746	339,746

SIGNED ON BEHALF OF THE BOARD

William E. Black, Director

William J. Huntley, Director

4,566,242 3,740,211

	1972	1971 (note 2)
	\$	\$

LIABILITIES

CURRENT LIABILITIES

Accounts payable and accrued liabilities	605,622	451,647
Income taxes payable	184,767	64,998
Current portion of long-term debt (note 4)	70,286	86,618
	<hr/>	<hr/>
	860,675	603,263
LONG-TERM DEBT (note 4)	284,470	359,669
	<hr/>	<hr/>
	1,145,145	962,932
	<hr/>	<hr/>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (notes 5 and 6)

Authorized—

2,300,000 shares without par value

Issued—

1,064,800 shares	1,330,311	1,309,431
Unpaid subscription	32,400	36,450
	<hr/>	<hr/>
	1,297,911	1,272,981

RETAINED EARNINGS

2,123,186	1,504,298
	<hr/>
3,421,097	2,777,279
	<hr/>
4,566,242	3,740,211
	<hr/>

**Consolidated Statement of Earnings
and Retained Earnings**

for the year ended March 31, 1972

	1972	1971
	(note 2)	\$
	\$	\$
NET SALES	9,462,124	8,060,843
OPERATING COSTS AND OTHER EXPENSES	8,131,275	7,199,630
DEPRECIATION AND AMORTIZATION	151,748	149,919
	<hr/>	<hr/>
	8,283,023	7,349,549
	<hr/>	<hr/>
	1,179,101	711,294
INTEREST INCOME	44,587	70,036
	<hr/>	<hr/>
	1,223,688	781,330
PROVISION FOR INCOME TAXES	604,800	415,300
	<hr/>	<hr/>
NET EARNINGS FOR THE YEAR	618,888	366,030
RETAINED EARNINGS—BEGINNING OF YEAR	1,504,298	1,159,650
	<hr/>	<hr/>
	2,123,186	1,525,680
Expense of Arrangement (note 2)	—	21,382
	<hr/>	<hr/>
RETAINED EARNINGS—END OF YEAR	2,123,186	1,504,298
	<hr/>	<hr/>
NET EARNINGS PER SHARE (note 7)	58 cents	35 cents
	<hr/>	<hr/>

**Consolidated Statement of Source
and Use of Working Capital**

for the year ended March 31, 1972

	1972	1971 (note 2)
	\$	\$
SOURCE OF WORKING CAPITAL		
Net earnings for the year	618,888	366,030
Items not affecting working capital—		
Depreciation and amortization	151,748	149,919
Provided from operations	770,636	515,949
Payment of share subscription receivable (note 5)	4,050	4,050
Issue of share capital (note 5)	20,880	—
Repayment of advances to affiliated and other companies (note 2)	—	650,000
Increase in long-term debt (note 4)	—	268,000
Working capital of subsidiary acquired	—	291,643
	795,566	1,729,642
USE OF WORKING CAPITAL		
Repayment of capital to shareholders (note 2)	—	359,500
Expense of Arrangement (note 2)	—	21,382
Additions to fixed assets (net)	89,926	233,633
Decrease in long-term debt (note 4)	75,199	19,618
Acquisition of subsidiary company	—	644,418
	165,125	1,278,551
INCREASE IN WORKING CAPITAL		
WORKING CAPITAL—BEGINNING OF YEAR	630,441	451,091
WORKING CAPITAL—END OF YEAR	1,833,132	1,382,041
	2,463,573	1,833,132

Notes to Consolidated Financial Statements

for the year ended March 31, 1972

1. Principles of Consolidation

The consolidated financial statements for the years ended March 31, 1972 and 1971 include the accounts of Black Photo Corporation Limited and its wholly-owned subsidiaries, Eddie Black's Limited and Educational Film Distributors Ltd., after giving retrospective effect to the Arrangement set out in note 2.

2. 1971 Comparative Figures

For comparative purposes, the consolidated financial statements for the year ended March 31, 1971 have been restated to give retrospective effect to the Arrangement and other related transactions set out below.

Under Arrangement under Section 193 of The Business Corporations Act, 1970 (Ontario) dated May 21, 1971 and approved by the shareholders of the company on June, 1971 under which:

(a) All 6 shares of the Abel Companies were returned to the Abel Group in exchange for the cancellation of 700,000 shares of the company;

(b) \$359,600 (\$1 per share) was repaid to all shareholders of the company except to former owners of the Abel Companies and Eddie Black's Limited;

(c) The repayment to the company of advances to the Abel Companies of \$90,682 and to Canadian School Publishers Limited of \$250,000;

(d) The payment of the company's portion of the Arrangement expenses of \$21,082.

The company changed its name to Black Photo Corporation Limited from Abel-Black Corporation Limited in June 1971.

3. Fixed Assets

Fixed assets and related accumulated depreciation are classified as follows:

	1972		1971	
	Cost \$	Accumulated depreciation \$	Net \$	Net \$
Land	40,000	—	40,000	40,000
Buildings	418,690	79,683	339,007	353,180
Furniture, fixtures, machinery and equipment	1,066,355	642,059	424,296	470,178
Motor vehicles	72,000	32,304	39,696	31,150
Leasehold improvements	205,528	146,279	59,249	69,562
	<u>1,802,573</u>	<u>900,325</u>	<u>902,248</u>	<u>964,070</u>

Depreciation has been recorded at the maximum rates allowable for income tax purposes, except for plant equipment, on which depreciation is recorded at 12½% of original cost per annum.

4. Long-Term Debt

(a) Long-term debt is classified as follows:

	1972 \$	1971 \$
7½% mortgage loan, due March 1987	86,756	89,809
7% conditional sales contracts payable	—	21,478
Amount owing on purchase of subsidiary (note 4(b))	268,000	335,000
	354,756	446,287
Less: Current portion	70,286	86,618
	<u>284,470</u>	<u>359,669</u>

(b) The balance owing on purchase of subsidiary is payable without interest as follows:

- (i) Amounts of \$67,000 on December 31, 1972 and \$33,500 on December 31, 1973.
- (ii) The balance of \$167,500 is subject to abatement if operating results are not maintained and is payable in instalments which are dependent on the operating results in the five years ending December 31, 1975.

5. Capital Stock

Prior to the Arrangement referred to in note 2 the issued capital stock of the company included 1,400,000 shares which were issued for all the shares of Eddie Black's Limited and the Abel Companies, for a consideration which the directors determined to be the fair equivalent of \$7,000,000. Because the acquisition of these subsidiaries was accounted for on a "pooling of interests" basis, the issue of these shares was reflected on the consolidated balance sheet at an amount of \$930. This amount represented the issued capital stock of Eddie Black's Limited—\$924 and the Abel Companies—\$6 at the date of acquisition.

Under the terms of the Arrangement:

- (a) All the shares of the Abel Companies (comprising 6 shares in total) were returned to the Abel Group in exchange for the cancellation of 700,000 shares of the company.
- (b) The authorized capital of the company was reduced by 700,000 shares to 2,300,000 shares without par value.

(c) The company repaid \$359,500 (\$1 per share) to all shareholders of the company except the former owners of the Abel Companies and Eddie Black's Limited.

Changes in capital stock during the year were as follows:

	Number		Dollar value		
	Authorized	Issued	Issued \$	Unpaid subscriptions \$	Paid up \$
March 31, 1971					
As previously reported	3,000,000	1,759,000	1,668,937	36,450	1,632,487
Pursuant to the Arrangement (note 2)—					
Cancellation of shares	(700,000)	(700,000)	(6)	—	(6)
Repayment of capital	—	—	(359,500)	—	(359,500)
	(700,000)	(700,000)	(359,506)	—	(359,506)
As restated	2,300,000	1,059,000	1,309,431	36,450	1,272,981
Stock options—					
Instalment paid	—	—	—	(4,050)	4,050
Options exercised and paid (note 6)	—	5,800	20,880	—	20,880
March 31, 1972	2,300,000	1,064,800	1,330,311	32,400	1,297,911

Unpaid subscriptions of \$32,400 are payable in equal annual instalments of \$4,050 to August 1979.

6. Stock Options

During the year the company cancelled all stock options outstanding at March 31, 1971 and granted new options to certain key employees to purchase 22,000

shares exercisable at various dates to July 31, 1976 at \$3.60 per share. Subsequently options totalling 5,800 shares were exercised for a cash consideration of \$20,880, leaving options totalling 16,200 shares outstanding at March 31, 1972.

7. Principles of Earnings per Share

Earnings per share has been calculated using the weighted average of shares outstanding during the year. The effect on earnings per share arising from exercise of stock options would not be material.

8. Remuneration of Directors and Senior Officers

Remuneration of directors and senior officers as defined by The Business Corporations Act, 1970 (Ontario) amounted to \$180,585 (1971—\$170,000) for the year ended March 31, 1972.

9. Lease Commitments

The total amount of rentals paid during the year ended March 31, 1972 under leases for retail stores (including additional rent payable as a percentage of sales) was \$204,901.

The minimum total rentals under existing leases for retail stores (excluding occupancy charges and additional rent paid as a percentage of sales) will be as follows:

	\$
1973-1977	586,911
1978-1982	286,251
after 1982	18,585

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Black Photo Corporation Limited and subsidiaries as at March 31, 1972 and the consolidated statements of earnings and retained earnings and source and use of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at March 31, 1972 and the results of their operations and the source and use of their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Retail Locations

Toronto Area

1424 Yonge Street	Yonge Street Arcade
45 Richmond Street West	Yorkdale Shopping Centre
Eglinton Square Shopping Centre	Toronto-Dominion Centre
5429 Yonge Street	Agincourt Mall
Don Mills Shopping Centre	Sherway Gardens Mall
Dixie Plaza	*2285 Yonge Street
120 Eglinton Avenue East	*Commerce Court Shopping Concourse
Shoppers' World (Danforth)	

Ottawa

St. Laurent Shopping Centre	St. Catharines
29 Metcalfe Street	Niagara Peninsula Shopping Centre

Hamilton

*8 James Street North	478 Ouellette Street
Greater Hamilton Shopping Centre	Devonshire Mall

Dundas

University Plaza	*394 Clarence Street
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Burlington

Burlington Mall	8 Water Street North
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Kitchener

	Fairview Park Shopping Centre
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